



JENNIFER M. GRANHOLM  
GOVERNOR

STATE OF MICHIGAN  
OFFICE OF THE STATE BUDGET  
LANSING

MARY A. LANNOYE  
DIRECTOR

April 4, 2006

The Honorable Shirley Johnson, Chair  
Senate Appropriations Committee  
Michigan State Senate  
State Capitol  
Lansing, Michigan 48901

The Honorable Scott Hummel, Chair  
House Appropriations Committee  
Michigan House of Representatives  
State Capitol  
Lansing, Michigan 48901

Dear Legislators:

Attached is the monthly financial report for the month ending February 28, 2006. This report is submitted pursuant to MCL 18.1386. This report can also be found on the Internet at the following address:

[www.michigan.gov/budget](http://www.michigan.gov/budget) under "Financial Reports."

If you have questions concerning the information in this report, please contact this office.

Sincerely,

A handwritten signature in cursive script, appearing to read "Mary A. Lannoye".

Mary A. Lannoye  
State Budget Director

Attachment

cc: List attached

cc: Governor Jennifer Granholm  
Ken Sikkema, Senate Majority Leader  
Craig DeRoche, Speaker of the House  
Bob Emerson, Senate Minority Leader  
Diane Byrum, House Minority Leader  
Senate Appropriations Committee  
House Appropriations Committee  
Nancy Cassis, Chair, Senate  
Finance Committee

Fulton Sheen, House Tax Policy Committee  
John Burchett, Executive Office  
Tim Hughes, Executive Office  
Senate Fiscal Agency  
House Fiscal Agency  
Mike Moody, Financial Management  
Nancy Duncan, Deputy Director  
State Budget Office  
Internal Office of the State Budget  
Distribution

**GENERAL FUND, GENERAL PURPOSE**  
**Fiscal Year 2006**  
**Projected Revenues and Expenditures**  
**February 28, 2006**  
(\$ in millions)

	<b>FISCAL 2006</b>
<b>Beginning Balance, October 1, 2005</b>	<b>\$ 220.5</b>
<b>Revenues, Current Law:</b>	
<b>Current Year GF/GP Revenues, January 2006 Consensus Estimate</b>	<b>\$ 8,207.8</b>
<b>Adjustments to Consensus Baseline</b>	
<b>Additional Revenue Adjustments:</b>	
Revenue Sharing Freeze (PA 196 of 2005 and January 2006 Consensus)	\$ 358.1
Suspend County Revenue Sharing (PA 356 and 357 of 2004)	\$ 192.4
Non-Use of SBT Pharmaceutical Credit	\$ 10.0
Financial Institutions Fund Revenue Deposit to GF	\$ 15.0
Interest Earnings - Tobacco Securitization (PA 226 of 2005)	\$ 10.0
<b>Subtotal Additional Revenue Adjustments</b>	<b>\$ 585.5</b>
<b>Anticipated Revenue Adjustments:</b>	
Land Sales (including HB 5114)	\$ 47.0
Reduce Sales Tax to Comprehensive Transportation Fund; deposit to GF (SB 839)	\$ 10.8
Agriculture Equine Industry Development Fund Revenue Deposit to GF (Enrolled HB 5498)	\$ 2.0
Remonumentation Fund Revenue Deposit to GF (SB 959)	\$ 15.0
State Services Fee Fund Deposit to GF (pending legislation)	\$ 6.0
<b>Subtotal Anticipated Revenue Adjustments</b>	<b>\$ 80.8</b>
<b>Total FY Resources Available For Expenditure GF/GP</b>	<b>\$ 9,094.6</b>
<b>Expenditures, Current Law:</b>	
Enacted Post Vetoes	\$ 8,975.7
Enacted Supplemental (PA 226 of 2005)	\$ 1.0
Enacted Supplemental (PA 297 of 2005)	\$ 4.9
<b>Anticipated Expenditure Adjustments:</b>	
Pending History, Arts, and Libraries Supplemental Request (February 9, 2006)	\$ 0.6
Pending Human Services Supplemental Request (February 9, 2006)	\$ 32.6
Pending Legislative Council Supplemental Request (February 9, 2006)	\$ 0.5
Pending Treasury Supplemental Request (February 9, 2006)	\$ (0.5)
<b>Total Expenditures Projected</b>	<b>\$ 9,014.8</b>
<b>Projected Ending Balance, September 30, 2006</b>	<b>\$ 79.8</b>

# OFFICIAL BALANCE SHEET

## SCHOOL AID FUND Fiscal Year 2006 Projected Revenues and Expenditures February 28, 2006 (\$ in millions)

	FISCAL 2006
<b>Beginning Balance, October 1, 2005</b>	<b>\$ 93.7</b>
<b>Current Year School Aid Fund Revenues, January 2006 Consensus</b>	<b>\$ 11,230.9</b>
<b>Adjustments to Consensus Baseline</b>	
FY04 Audit Receivables Adjustments	\$ 3.0
<b>Subtotal, School Aid Fund, Current Year Direct Resources</b>	<b>\$ 11,233.9</b>
School Bond Loan Revolving Fund	\$ 44.5
General Fund Subsidy	\$ 62.7
	\$ 107.2
Federal Aid	\$ 1,392.6
<b>Total Available SAF Resources</b>	<b>\$ 12,827.4</b>
<b>Expenditures</b>	
<b>Enacted Appropriations PA 155 of 2005</b>	<b>\$ 12,757.2</b>
Revised cost estimates	\$ (51.5)
Pending Supplemental Request (January 17, 2006)	\$ 41.5
<b>Adjusted Appropriations</b>	<b>\$ 12,747.2</b>
<b>Projected School Aid Fund Ending Balance September 30, 2006</b>	<b>\$ 80.2</b>

# SUMMARY OF EXPENDITURES AND ENCUMBRANCES

## GENERAL FUND GROSS

February 28, 2006

(\$ IN MILLIONS)

### FISCAL YEAR 2004-05

### FISCAL YEAR 2005-06

February 2005	Yr-to-date 2004-05	Fiscal Yr end SEP 30, 2005	DEPARTMENT	Initial Approp	Exec. Orders and Supplem. Approp.*	Exp & Enc February 2006	Exp & Enc Yr-to-date 2005-06
5.8	38.5	93.6	Agriculture	119.2	0.0	4.9	35.2
4.6	23.1	57.4	Attorney General	63.8	0.5	4.8	23.8
21.2	117.2	291.2	Capital Outlay	228.3	0.0	0.7	5.0
1.1	5.0	12.3	Civil Rights	13.2	0.0	1.0	5.0
2.1	9.9	25.3	Civil Service	35.9	0.0	2.6	9.8
198.0	946.3	1,909.7	Colleges & Universities	1,868.8	0.5	169.8	873.8
846.4	3,986.9	9,808.9	Community Health	10,203.9	0.0	803.7	3,888.5
129.6	689.9	1,682.4	Corrections	1,841.3	0.0	138.3	717.4
6.0	41.5	78.8	Education	101.1	0.0	3.4	32.2
14.2	68.8	178.5	Environmental Quality	410.5	0.0	13.0	72.1
0.4	2.1	5.0	Executive Office	5.4	0.0	0.4	2.0
5.4	19.2	53.9	History, Arts & Library	53.2	0.0	3.2	17.3
390.0	1,618.0	3,929.5	Human Services	4,423.9	0.0	328.9	1,668.5
0.0	0.0	0.0	Information Technology	0.0	0.0	0.0	0.0
34.5	79.4	207.0	Judiciary	255.4	0.0	10.9	77.4
49.1	261.8	719.9	Labor & Economic Growth	862.6	21.5	54.5	267.4
10.3	52.3	131.2	Legislature	129.7	0.0	10.4	53.6
15.2	65.5	151.9	Management & Budget	169.8	9.9	16.0	69.1
7.1	45.0	102.6	Military Affairs	111.6	0.0	6.9	45.7
6.8	35.3	74.4	Natural Resources	95.8	0.0	6.1	36.7
0.0	0.0	0.0	School Aid	0.0	0.0	0.0	0.0
14.1	77.4	215.3	State	197.4	0.0	15.4	89.8
32.6	157.7	427.4	State Police	550.8	16.2	34.3	175.0
0.0	0.0	0.0	Transportation	0.0	0.0	0.0	0.0
246.9	798.4	1,528.7	Treasury	1,794.2	64.0	249.0	926.0
<b>\$2,041.4</b>	<b>\$9,139.2</b>	<b>\$21,684.9</b>		<b>\$23,535.9</b>	<b>\$112.6</b>	<b>\$1,878.2</b>	<b>\$9,091.3</b>

\*Includes boilerplate appropriations.

# ESTIMATED BALANCE OF STATE PAYMENTS TO LOCAL UNITS OF GOVERNMENT

Fiscal Year 2006

February, 2006

(\$ IN MILLIONS)

	INITIAL APPROPRIATIONS	EXEC. ORDER and SUPPLEMENTALS	TOTAL APPROPRIATIONS YEAR-TO-DATE
Payments to local units of government	15,734.5	0.0	15,734.5
Total state spending from state resources	27,094.4	418.0	27,512.4
Percentage of state spending from state resources paid to local units	58.07%		57.19%
Required payments to local units (48.97%)	13,268.1		13,472.8
<b>Surplus/(deficit)</b>	<b>\$2,466.4</b>		<b>\$2,261.7</b>

STATE OF MICHIGAN  
**YEAR-TO-DATE STATEMENT OF REVENUES AND EXPENDITURES**  
**COUNTER - CYCLICAL BUDGET AND ECONOMIC STABILIZATION FUND**  
OCTOBER 1, 2005 THROUGH FEBRUARY 28, 2006  
(in thousands)

**REVENUES**

Taxes	\$ -
From federal agencies	-
Miscellaneous	<u>17</u>
Total Revenues	<u>17</u>

**EXPENDITURES**

Current:	
General government	-
Education	-
Family Independence services	-
Public safety and corrections	<u>-</u>
Total Expenditures	<u>-</u>
Excess of Revenues over (under)	
Expenditures	<u>17</u>

**OTHER FINANCING SOURCES (USES)**

Proceeds from Bond Issues	-
Operating transfers from:	
State Lottery Fund	-
Other funds	<u>-</u>
Total operating transfers from other funds	-
Operating transfers to other funds	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>
Excess of Revenues and Other	
Sources over (under) Expenditures	
and Other Uses	<u><u>\$ 17</u></u> <sup>1</sup>

<sup>1</sup> Balance does not reflect closing adjustments such as accounts receivable, accounts payable, etc.

STATE OF MICHIGAN  
**YEAR-TO-DATE STATEMENT OF REVENUES AND EXPENSES**  
**MICHIGAN STRATEGIC FUND**  
OCTOBER 1, 2005 THROUGH FEBRUARY 28, 2006  
(in thousands)

**OPERATING REVENUES**

Operating revenues	\$ -
Interest income	-
Investment revenue (net)	-
Miscellaneous:	
Federal revenues	-
Financing fees	813
Other	-
Total miscellaneous	<u>813</u>
Total Operating Revenues	<u>813</u>

**OPERATING EXPENSES**

Salaries, wages, and other administrative	-
Interest expense	-
Depreciation	-
Purchases for resale	-
Other operating expenses:	
Loan loss expense	-
Tuition benefit expense	-
Amortization of deferred issue costs	-
Miscellaneous	-
Total other operating expenses	<u>-</u>
Total Operating Expenses	<u>-</u>
Operating Income (Loss)	<u>813</u>

**NONOPERATING REVENUES (EXPENSES)**

Federal grant revenue	-
Interest revenue	-
Other nonoperating revenues:	
Tribal gaming revenue	-
Other nonoperating revenue	-
Total other nonoperating revenues	<u>-</u>
Nonoperating grants	-
Interest expense	-
Other nonoperating expense	-
Total Nonoperating Revenues (Expenses)	<u>-</u>
Income (Loss) Before Operating Transfers	<u>813</u>

**OPERATING TRANSFERS**

Operating transfers from primary government	-
Operating transfers to primary government	<u>(867)</u>
Total Operating Transfers In (Out)	<u>(867)</u>
Net Income (Loss)	<u>\$ (54) <sup>1</sup></u>

<sup>1</sup> Balance does not reflect closing adjustments such as accounts receivable, accounts payable, etc.



STATE OF MICHIGAN  
**YEAR-TO-DATE STATEMENT OF REVENUES AND EXPENDITURES**  
**MICHIGAN NATURAL RESOURCES TRUST FUND**  
OCTOBER 1, 2005 THROUGH FEBRUARY 28, 2006  
(in thousands)

**REVENUES**

Taxes	\$ -
From federal agencies	-
From licenses and permits	-
Miscellaneous	<u>25,471</u>
Total Revenues	<u>25,471</u>

**EXPENDITURES**

Current:	
General government	-
Conservation, environment, recreation, and agriculture	1,381
Capital outlay	<u>12,627</u>
Total Expenditures	<u>14,008</u>
Excess of Revenues over (under) Expenditures	<u>11,462</u>

**OTHER FINANCING SOURCES (USES)**

Proceeds from bond issues	-
Proceeds from sale of capital assets	106
Operating transfers from other funds	-
Operating transfers to other funds	<u>(10,000)</u>
Total Other Financing Sources (Uses)	<u>(9,894)</u>
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	<u>\$ 1,568</u> <sup>1</sup>

<sup>1</sup> Balance does not reflect closing adjustments such as accounts receivable,  
accounts payable, etc.

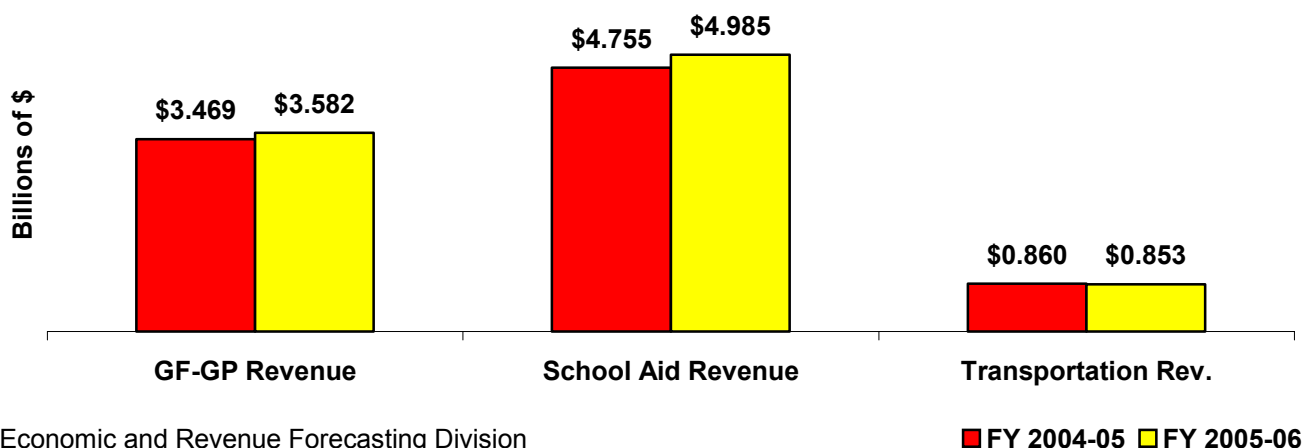
**REVENUE OVERVIEW**  
Economic and Revenue Forecasting Division  
Michigan Department of Treasury

This Monthly Financial Report to the Legislature presents the Michigan State government's economic situation and cash collections for February 2006, representing some January and some February economic activity in Michigan.

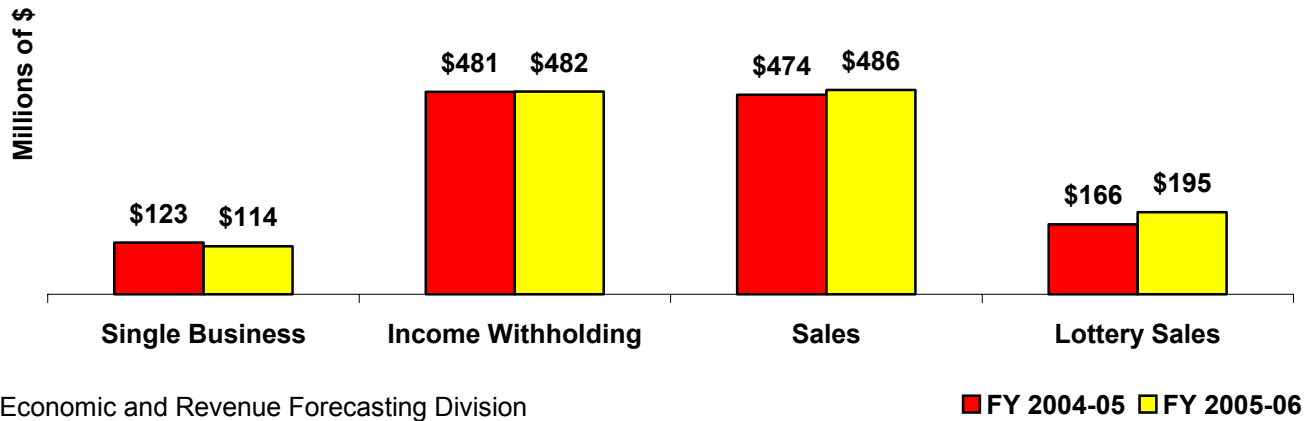
Total General Fund - General Purpose cash collections were \$12.8 million (4.4 percent) lower in February 2006 than in February 2005. February School Aid Fund cash collections were \$30.6 million (4.7 percent) higher than in February 2005. February transportation collections were \$2.8 million (1.5 percent) higher than in February 2005 (see revenue table). February is the fifth month of the state's fiscal year. Year-to-date collection totals generally provide a more accurate view of collections, since they are less affected by the timing of payments. Year-to-date General Fund - General Purpose cash collections are up \$113.2 million (3.3 percent) from a year ago. School Aid Fund cash collections are up \$230.2 million (4.8 percent), and transportation collections are down \$6.3 million (0.7 percent).

The FY 2005-2006 revenue projections presented in the revenue table on page 10 are from the Consensus Revenue Estimating Conference held on January 12, 2006. The Consensus estimate for net General Fund – General Purpose revenue for FY 2005-2006 is \$8,207.8 million and the net School Aid revenue forecast is \$11,230.9 million. The Transportation Funds revenue forecast is \$2,249.8 million. The revenue projections for each tax are shown after all tax adjustments. The next regularly scheduled revenue conference will be held in May 2006.

**October through February Collections**  
**Fiscal Years 2004-05 and 2005-06**



## February Revenue Collections Fiscal Years 2004-05 and 2005-06



## October through February Collections Fiscal Years 2004-05 and 2005-06



**Revenue Summary 2005-06**  
**General Fund-General Purpose, School Aid, and Transportation Funds**  
(in thousands)

**For The Month Ended: February 28, 2006**

MONTH-END CASH COLLECTIONS DATA				OCTOBER THROUGH FEBRUARY CASH COLLECTIONS DATA						REVENUE PROJECTIONS		
February		Difference		SOURCE OF REVENUE	Year-to-Date		Difference		2004-2005	2005-2006	2005-2006	
2005	2006	Amount	Percent		2004-05	2005-06	Amount	Percent	Actual Totals	Statutory Estimate	Jan 2006 Consensus	
Income Taxes												
\$481,485	\$482,036	\$551	0.1%	Withholding	\$2,778,459	\$2,791,864	\$13,405	0.5%	\$6,427,400	\$6,607,100	\$6,556,600	
5,274	4,797	(477)	-9.1%	Quarterlies	235,315	282,041	46,725	19.9%	643,000	670,100	670,000	
15,016	20,549	5,533	36.8%	Annuals	64,489	76,625	12,136	18.8%	648,600	624,200	640,100	
501,775	507,382	5,607	1.1%	Gross Collections	3,078,263	3,150,529	72,266	2.3%	\$7,719,000	\$7,901,400	\$7,866,700	
381,153	393,049	11,896	3.1%	Less: Refunds	521,206	518,523	(2,683)	-0.5%	1,610,800	1,725,000	1,696,000	
0	0	0	na	State Campaign Fund	0	0	0	na	1,500	1,500	1,500	
120,622	114,333	(6,289)	-5.2%	Net Personal Income	2,557,057	2,632,006	74,949	2.9%	\$6,106,700	\$6,174,900	\$6,169,200	
125,444	131,919	6,475	5.2%	Less: Disbursements to SAF	769,566	819,138	49,572	6.4%	\$1,985,600	\$2,051,000	\$2,041,400	
(\$4,821)	(\$17,586)	(\$12,765)	265.0%	NET PERSONAL INCOME TO GF-GP	\$1,787,491	\$1,812,868	\$25,377	1.4%	\$4,121,100	\$4,123,900	\$4,127,800	
Consumption Taxes												
\$5,768	\$5,103	(\$665)	-11.5%	Sales (a)	\$37,324	\$33,279	(\$4,044)	-10.8%	\$99,200	\$114,700	\$105,300	
69,051	76,711	7,660	11.1%	Use	369,354	375,832	6,478	1.8%	934,700	963,600	961,500	
8,783	18,083	9,300	106.0%	Tobacco	48,628	96,186	47,558	97.8%	116,500	228,100	231,300	
3,540	4,770	1,230	34.7%	Beer, Wine & Mixed Spirits	19,345	19,276	(70)	-0.4%	51,000	52,500	52,000	
1,976	2,185	209	10.6%	Liquor Specific	11,630	12,021	391	3.4%	33,600	34,000	34,000	
\$89,118	\$106,852	\$17,734	19.9%	TOTAL CONSUMPTION TAXES	\$486,281	\$536,594	\$50,313	10.3%	\$1,234,900	\$1,392,900	\$1,384,100	
Other Taxes												
\$122,989	\$114,334	(\$8,654)	-7.0%	Single Business	\$791,788	\$819,314	\$27,526	3.5%	\$1,913,500	\$1,913,800	\$1,817,900	
34,753	27,443	(7,311)	-21.0%	Insurance Premiums Taxes	113,525	115,588	2,064	1.8%	249,500	240,000	255,000	
157,742	141,777	(15,965)	-10.1%	Sub-total SBT & Insurance	905,312	934,902	29,590	3.3%	2,163,000	2,153,800	2,072,900	
3,084	29	(3,056)	-99.1%	Inheritance / Estate	15,167	87	(15,080)	-99.4%	101,500	8,000	5,000	
22	(2)	(24)	na	Telephone & Telegraph	45,738	46,433	695	1.5%	99,100	81,300	83,000	
4,646	6,510	1,864	40.1%	Oil & Gas Severance	26,053	40,301	14,248	54.7%	66,700	60,000	84,000	
3,522	3,819	296	8.4%	Casino Wagering	13,703	18,505	4,802	35.0%	42,200	43,100	43,200	
10,789	10,585	(203)	-1.9%	Penalties & Interest	47,931	55,068	7,136	14.9%	142,500	108,000	145,700	
(4)	(0)	4	-96.5%	Miscellaneous Other/Railroad	151	128	(23)	-15.3%	1,200	0	0	
(6,667)	(7,667)	(1,000)	15.0%	Treasury Enforcement Programs	(33,333)	(35,333)	(2,000)	6.0%	(91,200)	(80,000)	(92,000)	
\$173,134	\$155,051	(\$18,083)	-10.4%	TOTAL OTHER TAXES	\$1,020,722	\$1,060,090	\$39,368	3.9%	\$2,525,000	\$2,374,200	\$2,341,800	
\$257,430	\$244,316	(\$13,114)	-5.1%	SUBTOTAL GF-GP TAXES	\$3,294,494	\$3,409,552	\$115,058	3.5%	\$7,881,000	\$7,891,000	\$7,853,700	

continued

**Revenue Summary 2005-06**  
**General Fund-General Purpose, School Aid, and Transportation Funds**  
(in thousands)

**For The Month Ended: February 28, 2006**

MONTH-END CASH COLLECTIONS DATA					OCTOBER THROUGH FEBRUARY CASH COLLECTIONS DATA				REVENUE PROJECTIONS			
February		Difference		SOURCE OF REVENUE	Year-to-Date		Difference		2004-2005	2005-2006	2005-2006	
2005	2006	Amount	Percent		2004-05	2005-06	Amount	Percent	Actual	Statutory	Jan 2006	
Totals											Estimate	Consensus
Non-Tax Revenue(h)												
\$2,917	\$2,917	\$0	0.0%	Federal Aid	\$14,583	\$14,583	\$0	0.0%	\$35,700	\$35,000	\$35,000	
167	167	0	0.0%	Local Agencies	833	833	0	0.0%	300	2,000	2,000	
1,500	1,500	0	0.0%	Services	7,500	7,500	0	0.0%	19,800	18,000	18,000	
4,500	2,833	(1,667)	-37.0%	Licenses & Permits	22,500	19,167	(3,333)	-14.8%	27,400	54,000	34,000	
0	0	0	na	Investments/Interest Costs	(1,195)	(213)	981	-82.1%	(54,400)	(85,000)	(70,000)	
9,433	12,050	2,617	27.7%	Misc. Non-tax Revenue	47,167	55,225	8,058	17.1%	135,100	124,500	144,600	
11,333	11,667	333	2.9%	Liquor Purchase Revolving Fund	56,667	56,833	167	0.3%	142,200	134,000	140,000	
5,192	4,208	(983)	-18.9%	From Other Funds-Lottery & Escheats	25,958	18,242	(7,717)	-29.7%	111,700	39,300	50,500	
\$35,042	\$35,342	\$300	0.9%	TOTAL NON-TAX REVENUE	\$174,014	\$172,170	(\$1,844)	-1.1%	\$417,800	\$321,800	\$354,100	
\$292,472	\$279,658	(\$12,814)	-4.4%	TOTAL GF-GP REVENUE	\$3,468,508	\$3,581,722	\$113,214	3.3%	\$8,298,900	\$8,212,900	\$8,207,800	
School Aid Fund												
\$193,943	\$198,963	\$5,020	2.6%	Sales Tax 4%	\$1,107,276	\$1,120,748	\$13,472	1.2%	2,690,000	2,814,800	2,774,900	
151,102	153,946	2,843	1.9%	Sales Tax 2%	870,204	874,606	4,403	0.5%	2,115,700	2,213,600	2,174,900	
34,525	38,356	3,830	11.1%	Use Tax 2%	184,677	187,916	3,239	1.8%	467,600	481,800	480,800	
23,364	22,448	(917)	-3.9%	State Education Property Tax	1,169,812	1,288,579	118,767	10.2%	1,914,500	1,956,900	2,010,000	
25,337	25,246	(91)	-0.4%	Real Estate Transfer Tax	132,498	136,953	4,456	3.4%	313,500	316,000	310,000	
50,000	60,000	10,000	20.0%	Lottery Transfer (d)	209,883	245,579	35,697	17.0%	667,600	654,300	685,000	
8,152	8,838	686	8.4%	Casino Wagering Tax	31,713	42,827	11,114	35.0%	97,600	99,700	100,000	
1,958	2,143	185	9.4%	Liquor Excise Tax	11,481	11,910	429	3.7%	33,100	34,000	34,000	
35,219	36,711	1,492	4.2%	Cigarette/Tobacco Tax	194,994	195,272	278	0.1%	472,700	463,100	469,800	
2,838	3,807	969	34.1%	Indus. & Comm. Facilities Taxes	69,673	56,301	(13,371)	-19.2%	138,200	133,000	136,000	
541	598	57	10.6%	Specific Other	2,945	5,115	2,170	73.7%	13,600	14,800	14,100	
125,444	131,919	6,475	5.2%	Income Tax Earmarking	769,566	819,138	49,572	6.4%	\$1,985,600	\$2,051,000	\$2,041,400	
\$652,425	\$682,975	\$30,550	4.7%	TOTAL SCHOOL AID FUND	\$4,754,720	\$4,984,944	\$230,224	4.8%	\$10,909,700	\$11,233,100	\$11,230,900	
\$474,341	\$485,551	\$11,210	2.4%	SALES TAX 6%	\$2,715,663	\$2,742,519	\$26,856	1.0%	\$6,599,100	\$6,905,000	\$6,799,800	
323,239	331,605	8,367	2.6%	SALES TAX 4%(d)	1,845,460	1,867,913	22,453	1.2%	4,483,400	4,691,400	4,624,900	
151,102	153,946	2,843	1.9%	SALES TAX 2%	870,204	874,606	4,403	0.5%	2,115,700	2,213,600	2,174,900	
103,576	115,067	11,491	11.1%	USE TAX 6%	554,031	563,748	9,717	1.8%	1,402,300	1,445,500	1,442,300	
12,178	13,202	1,025	8.4%	CASINO WAGERING TAX	47,374	63,976	16,602	35.0%	145,800	149,000	149,400	
86,961	90,869	3,909	4.5%	TOBACCO TAXES	481,466	483,347	1,881	0.4%	1,179,900	1,145,500	1,161,500	
0	0	0	na	TOBACCO SETTLEMENT	5	3,116	3,110	na	na	na	na	
(16)	0	16	na	CIGARETTE INVENTORY TAX	(280)	0	280	na	na	na	na	

continued

**Revenue Summary 2005-06**  
**General Fund-General Purpose, School Aid, and Transportation Funds**  
(in thousands)

**For The Month Ended: February 28, 2006**

MONTH-END CASH COLLECTIONS DATA				OCTOBER THROUGH FEBRUARY CASH COLLECTIONS DATA					REVENUE PROJECTIONS			
February		Difference		SOURCE OF REVENUE	Year-to-Date		Difference		2004-2005	2005-2006	2005-2006	
2005	2006	Amount	Percent		2004-05	2005-06	Amount	Percent	Actual	Statutory	Jan 2006	
Totals											Estimate	Consensus
Major Transportation Revenues												
\$9,527	\$9,351	(\$175)	-1.8%	Diesel Fuel / Motor Carrier Fuel Tax (g)	\$61,762	\$62,194	\$432	0.7%	\$146,308	\$151,100	\$153,000	
71,016	70,437	(579)	-0.8%	Gasoline	386,039	373,822	(12,218)	-3.2%	922,368	942,000	927,700	
99,889	103,470	3,581	3.6%	Motor Vehicle Registration	363,119	368,736	5,617	1.5%	863,367	891,300	899,000	
5,483	4,448	(1,035)	-18.9%	Other Taxes, Fees & Misc.	25,225	18,003	(7,222)	-28.6%	221,060	190,013	201,484	
4,712	5,719	1,007	21.4%	Comprehensive Transportation (c)	23,561	30,636	7,075	30.0%	62,749	76,793	68,628	
\$190,627	\$193,425	\$2,799	1.5%	TOTAL MAJOR TRANS. REVENUES	\$859,707	\$853,391	(\$6,315)	-0.7%	\$2,215,852	\$2,251,205	\$2,249,811	
Lottery Sales By Games (b)												
53,003	59,940	6,937	13.1%	Instant Games	271,575	298,078	26,503	9.8%	na	na	na	
58,177	57,599	(578)	-1.0%	Daily Games	294,817	283,493	(11,323)	-3.8%	na	na	na	
22,434	34,504	12,070	53.8%	Lotto and Big Game	114,184	140,233	26,048	22.8%	na	na	na	
1,093	1,165	72	6.6%	Keno Game	5,369	5,858	489	9.1%	na	na	na	
0	0	0	na	Changeplay Game	0	0	0	na	na	na	na	
31,452	41,698	10,245	32.6%	Club Games	145,371	189,707	44,336	30.5%	na	na	na	
\$166,160	\$194,906	\$28,746	17.3%	TOTAL LOTTERY SALES	\$831,316	\$917,368	\$86,052	10.4%	na	na	na	

a GF-GP Sales has been estimated based on CTF and Health Initiative shares.

b The statutory estimate does not include an estimate of lottery sales. It only includes an estimate of the SAF transfer. The transfers shown are actual transfers from Lottery to SAF.

c The CTF distributions have been estimated (includes sales tax transfer and other miscellaneous revenues dedicated to the CTF).

d 2% collections adjusted to reflect exemption on residential utilities.

e Official CAFR figures are adjusted to put them on a comparable basis with Consensus Estimates.

f Non-tax revenue estimates other than interest are estimates.

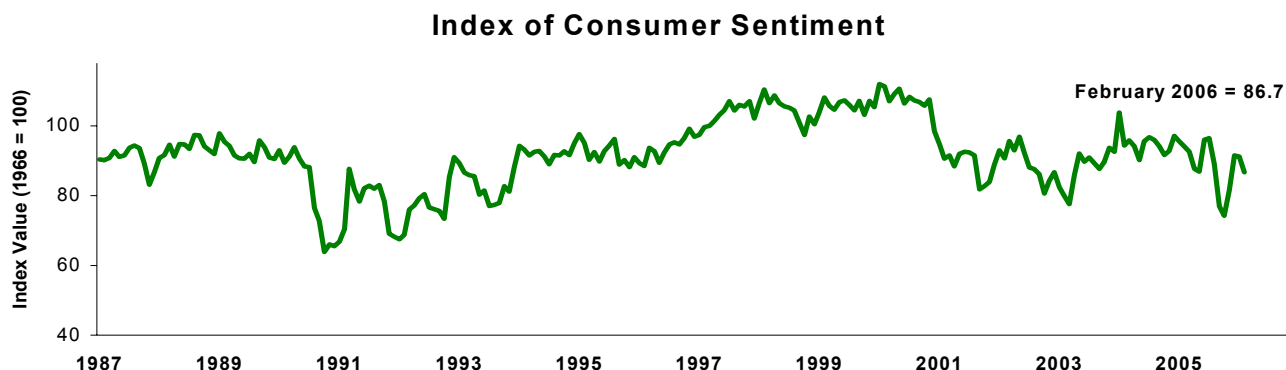
g Starting in January 2005 totals include revenue from the Motor Carrier Fuel Tax. Prior year totals have been adjusted to also include the Motor Carrier Fuel Tax.

Source: Michigan Department of Treasury, Economic and Revenue Forecasting Division, based on reports from the Office of Financial Management, Michigan Department of Management and Budget, and other reports from the Michigan Department of Treasury.

## Economic Highlights

(All data seasonally adjusted unless otherwise noted.)

### U. S. Economy



Source: University of Michigan, Survey Research Center

The **Index of Consumer Sentiment** was 86.7 in February, 4.5 index-points below the January value and 7.4 index-points below February 2005. Survey director Richard Curtin reported, "The February loss in confidence was due to higher energy costs, higher interest rates, and a heightened concern about potential future increases in the unemployment rate. These concerns combined to prompt consumers to adopt a less favorable outlook for the national economy, with most of the concerns focused on longer term economic prospects." Curtin noted that, "There is a small but critical difference in the outlook for the economy held by consumers compared with other economic forecasts. While no one anticipates a downturn during the year ahead, consumers expect the pace of growth to be slightly below the trend growth rate by late 2006 and most economic models expect it to be slightly above trend growth. As a result, consumers expect the unemployment rate to slowly rise during late 2006 and economists expect it to decline slightly." On expectations for federal reserve policy, Curtin observed, "Interest rates were expected to increase by 73 percent of all consumers in the February survey, while just 6 percent anticipated declines. After each of the last fourteen rate hikes announced by the Fed, consumers were just as convinced that another hike in interest rates would be forthcoming. Importantly, consumers attribute some of the anticipated slowdown in economic growth to rising interest rates." In February, consumers in only one of the four regions reported an increase in confidence. Midwestern consumers reported an increase in confidence of 2.3 index-points. Southern consumers reported the largest decrease in confidence of 10.1 index-points. The gap across regions increased from last month to 14.0 index-points, with Western consumers on top and Southern consumers on the bottom.

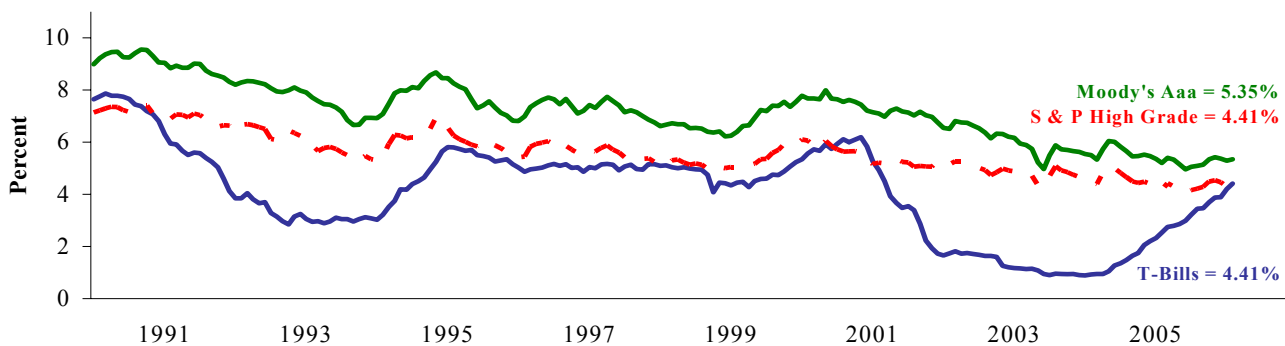
The advance estimate of real **Gross Domestic Product** for the fourth quarter of 2005 is \$11,247.6 billion (chained 2000 dollars), an increase of 1.6 percent at an annual rate. In the third quarter of 2005, real gross domestic product increased 4.1 percent. Private inventory investment, personal consumption expenditures, equipment and software, exports and residential fixed investment led fourth quarter growth. Imports, which are a subtraction in calculating GDP, increased. Real personal consumption expenditures increased 1.2 percent in the fourth quarter compared to an increase of 4.1 percent in the third quarter. Real residential fixed investment increased 2.6 percent in the fourth quarter compared to an increase of 7.3 percent in the third quarter. Real nonresidential fixed investment increased 5.4 percent in the fourth quarter led by increased investment in equipment and software of 6.2 percent. Real federal government expenditures decreased 2.6 percent in the fourth quarter, compared to an

increase of 7.4 percent in the third quarter. Real state and local government spending increased 0.4 percent in the fourth quarter compared to a 0.2 percent increase in the third quarter. Exports of goods and services increased 5.7 percent in the fourth quarter, compared to a 2.5 percent increase in the third quarter. Imports increased 12.8 percent in the fourth quarter compared to a increase of 2.4 percent in the third quarter. Private inventory investment rose \$30.4 billion in the fourth quarter, up from a \$13.3 billion decrease in the third quarter. Real final sales were unchanged in the fourth quarter compared to a 4.6 percent rate in the third quarter. On the inflation front, the **implicit price deflator** increased at a 3.3 percent annual rate in the fourth quarter, the same increase observed in the third quarter.

**U. S. retail prices**, as measured by the Consumer Price Index (CPI-U), increased 0.1 percent in February, down from a 0.7 percent decrease in January. Energy decreased by 1.2 percent in February; compared to a 5.0 percent increase in January, while the all-items less food and energy component increased 0.1 percent. For the six months since August, the all-items index increased at a 3.0 percent annual rate.

Compared to February 2005, the all-items index increased 3.6 percent. For major component groups, the unadjusted increases from one year ago were: food and beverages, 2.7 percent; housing, 4.0 percent; medical care, 4.0 percent; recreation, 1.1 percent; education and communication, 2.6 percent; and other goods and services, 2.7 percent, with tobacco prices up 4.0 percent; transportation 5.8 percent, with gasoline prices up 20.6 percent. The unadjusted decreases from one year ago were: apparel, 1.8 percent.

### Selected Key Interest Rates



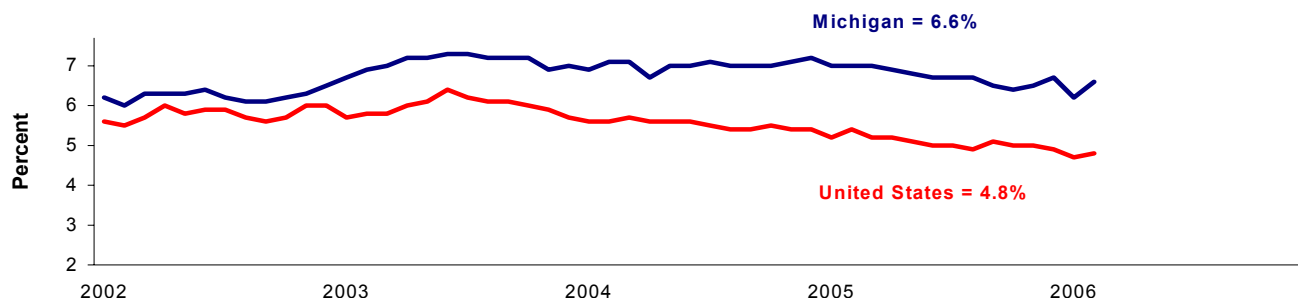
Source: Economic Indicators

Short-term **interest rates** increased 0.21 percentage points in February as the 3-month Treasury bill (T-bill) rate averaged 4.41 percent. Compared to one year ago, the T-bill rate is up 1.88 percentage points. Long-term interest rates, such as the Aaa corporate bond rate, increased 0.06 percentage points to an interest yield of 5.35 percent in February. Compared to one year ago, the Aaa bond yield is up 0.15 percentage points. The interest rate on High-grade municipal bonds increased 0.10 percentage points to 4.41 percent in February, and stands 0.27 percentage points above its year ago level. The Federal Open Market Committee (FOMC) raised the federal funds rate by 25 basis points at its January 31<sup>st</sup> meeting to 4.50 percent. The FOMC stated that, "Although recent economic data have been uneven, the expansion in economic activity appears solid. Core inflation has stayed relatively low in recent months and longer-term inflation expectations remain contained." The FOMC judges that, "some further measured policy firming may be needed to keep the risks to the attainment of both sustainable economic growth and price stability roughly in balance." The committee "will respond to changes in economic prospects as needed to foster these objectives."



In February, the **U. S. unemployment rate** increased 0.1 percentage points from a month ago to 4.8 percent and was down 0.6 percentage points from one year ago. Civilian employment totaled 143.3 million persons in February, up 0.2 million from January. The number of unemployed was 7.2 million nationwide.

### Unemployment Rates 2002 - 2006



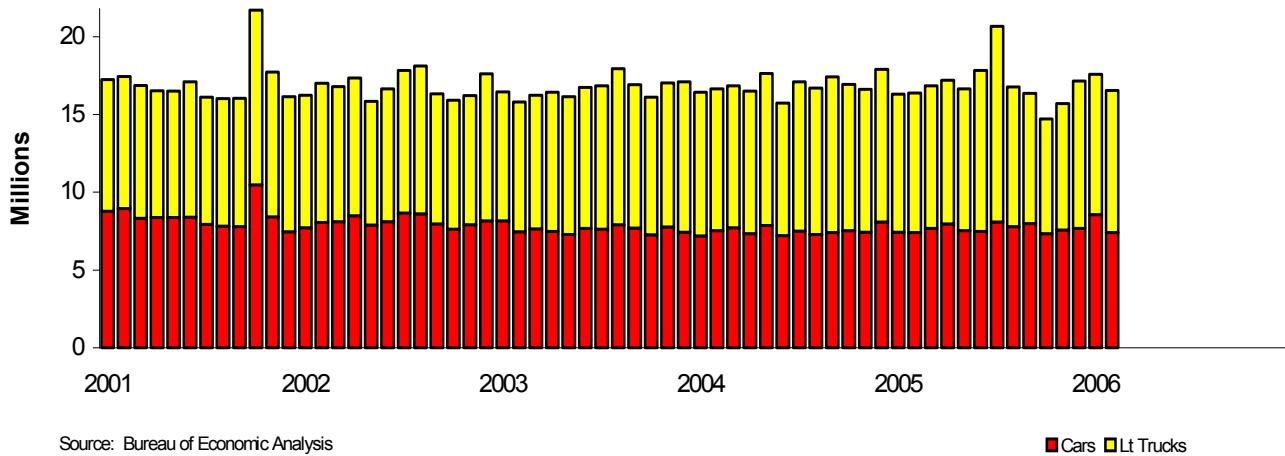
Source: Bureau of Labor Statistics and Michigan Department of Labor & Economic Growth, Employment Service Agency

In February, the **Michigan jobless rate** increased 0.4 percentage points to 6.6 percent. Compared to a year ago, Michigan's jobless rate was 0.4 percentage points lower. From a month ago, the labor force increased by 9,000 to 5,114,000, while the number of people employed decreased by 11,000 to 4,776,000. In February, there were 338,000 unemployed people. Monthly unemployment rates fluctuate due to statistical sampling errors. Therefore, the three-month average of 6.5 percent may be a better measure of actual conditions.

**Detroit retail prices**, as measured by the Consumer Price Index (CPI-U), increased 1.2 percent from December to February, compared to a 1.4 percent decrease from October to December. The all-items less food and energy index increased 1.3 percent from December to February. The food index decreased 0.1 percent from December to February while the energy index increased 2.8 percent. Compared to February 2005, the all-items index increased 3.7 percent. For individual component items, the increases from one year ago were: food and beverages, 2.1 percent; housing, 5.3 percent; transportation, 7.3 percent; medical care, 4.3 percent; education and communication 2.3 percent; other goods and services, 2.9 percent; the unadjusted decreases were: apparel, 9.8 percent.

## Motor Vehicle Sector

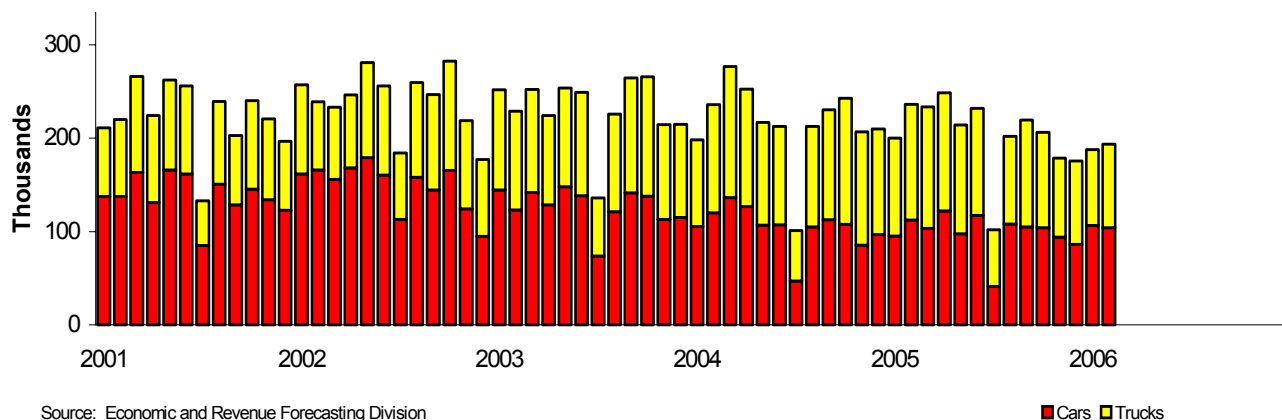
### U. S. Light Vehicle Sales



**U. S. light vehicle sales** (cars + light trucks) decreased 1.0 million units in February selling at a 16.5 million unit seasonally adjusted annual rate. Domestic car sales decreased 16.3 percent while domestic light truck sales increased 1.1 percent. Import car sales decreased 4.5 percent while import light truck sales increased 2.5 percent. Compared to last year, light vehicle sales increased 1.1 percent. Domestic car sales were up 2.5 percent while domestic light truck sales increased 1.0 percent. Import car sales were down 4.5 percent while import truck sales rose 7.9 percent from last year. As a result, the domestic share increased 0.5 percentage points from a year ago. For fiscal year 2006 year-to-date, domestic light vehicles have recorded a 79.7 percent share of a 16.3 million-unit market.

**Michigan motor vehicle production** increased to 193,668 units in February. From a year ago, motor vehicle production decreased 18 percent in Michigan and fell 7 percent nationally. In February, Michigan's car production was 104,023 units while the state's truck production was 89,645 units. Compared with a year ago, car production fell 8 percent in Michigan and remained unchanged nationwide. The state's truck production decreased 28 percent while national truck production fell 11 percent from a year ago. Michigan motor vehicle production data are not seasonally adjusted.

### Michigan Motor Vehicle Production



**Summary Estimates of the Constitutional Revenue Limit  
Based on the January 12, 2006 Consensus Revenue Agreement  
(Article IX, Section 26)  
(in millions)**

	<b>Fiscal Year 2003-2004 Actual</b>	<b>Fiscal Year 2004-2005 Estimate</b>	<b>Fiscal Year 2005-2006 Estimate</b>
Applicable Calendar Year Personal Income	\$303,745	\$314,460	\$324,134
Section 26 Base Ratio	9.49%	9.49%	9.49%
Revenue Limit	\$28,825.4	\$29,842.3	\$30,760.3
Revenue Limit	\$28,825.4	\$29,842.3	\$30,760.3
State Revenue Subject to Limit	\$24,384.7	\$24,949.8	\$25,294.5
<b>Amount Under (Over) Limit</b>	<b>\$4,440.7</b>	<b>\$4,892.4</b>	<b>\$5,465.8</b>

Sources:

Personal Income Estimate

The FY 2003-04 calculation uses the official personal income estimate for calendar year 2002 (Survey of Current Business, August 2003).

The FY 2004-05 calculation uses the official personal income estimate for calendar year 2003 (Survey of Current Business, September 2004).

The FY 2005-06 calculation uses the official personal income estimate for calendar year 2004 (Survey of Current Business, October 2005).

Revenue Subject to the Limit

The FY 2003-04 calculation uses the State of Michigan Statement of Revenue Subject to Constitutional Limitation - Legal Basis for the Fiscal Year Ended September 30, 2004.

The FY 2004-05 calculation uses the January 12, 2006 Consensus Revenue Agreement.

The FY 2005-06 calculation uses the January 12, 2006 Consensus Revenue Agreement.

Prepared By: Economic and Revenue Forecasting Division, Michigan Department of Treasury